

CALIFORNIA DEPARTMENT OF INSURANCE
LEGAL DIVISION
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Attorney for John Garamendi,
Insurance Commissioner

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA**

In the Matter of the Licenses and Licensing
Rights of

File No. UPA 02022045

**HARTFORD FIRE INSURANCE
COMPANY, HARTFORD
ACCIDENT AND INDEMNITY
COMPANY, HARTFORD
CASUALTY INSURANCE
COMPANY, HARTFORD
UNDERWRITERS INSURANCE
COMPANY, HARTFORD
INSURANCE COMPANY OF
THE MIDWEST AND TWIN
CITY FIRE INSURANCE
COMPANY,**

**ORDER TO SHOW CAUSE; STATEMENT
OF CHARGES; NOTICE OF MONETARY
PENALTY**

Respondents.

ORDER TO SHOW CAUSE

WHEREAS, the Insurance Commissioner of the State of California (hereafter, "The Commissioner") has reason to believe that Respondents HARTFORD FIRE INSURANCE COMPANY ("HARTFORD FIRE"), HARTFORD ACCIDENT AND INDEMNITY COMPANY ("HARTFORD ACCIDENT"), HARTFORD CASUALTY INSURANCE COMPANY ("HARTFORD CASUALTY"), HARTFORD UNDERWRITERS INSURANCE COMPANY ("HARTFORD UNDERWRITERS"), HARTFORD INSURANCE COMPANY OF

1 THE MIDWEST("HARTFORD MIDWEST") and TWIN CITY FIRE INSURANCE
2 COMPANY ("TWIN CITY") hereinafter collectively referred to as "Respondents" and/or
3 "HARTFORD," have engaged in or are engaging in this State in the unfair methods of
4 competition or unfair or deceptive acts or practices, and other unlawful acts, as set forth in the
5 STATEMENT OF CHARGES/ACCUSATION contained herein; and

6 WHEREAS, the Commissioner has reason to believe that a proceeding with respect to the
7 alleged acts of the Respondents would be in the public interest;

8 NOW, THEREFORE, and pursuant to the provisions of Section 790.05 of the California
9 Insurance Code, Respondents individually and collectively are ordered to appear before the
10 Commissioner on April 3, 2006 at the Office of Administrative Hearings, 1515 Clay Street, Suite
11 206, Oakland, CA 94612 at 9:00 A.M., and show cause, if any cause there be, why the
12 Commissioner should not issue an Order to Respondents requiring Respondents to Cease and
13 Desist from engaging in the methods, acts, and practices set forth in the SPECIFIC FACTUAL
14 ALLEGATIONS contained in Paragraphs 7 through 17 inclusive, and imposing the penalties set
15 forth in Section 790.035 of the Insurance Code and requested herein.

16 **GENERAL STATEMENT**

17 1. From January 7, 1870 to the present Respondent HARTFORD FIRE has been the
18 holder of a Certificate of Authority (Certificate Number 0085-1) issued by the Commissioner to
19 act in the capacity of a Property and Casualty Insurer. From July 24, 1914 to the present
20 Respondent HARTFORD ACCIDENT has been the holder of a Certificate of Authority
21 (Certificate Number 0440-8) issued by the Commissioner to act in the capacity of a Property and
22 Casualty Insurer. From to July 1, 1987 to the present, Respondent HARTFORD CASUALTY
23 has been the holder of a Certificate of Authority (Certificate Number 3099-9) issued by the
24 Commissioner to act in the capacity of a Property and Casualty Insurer. From to July 1, 1988 to
25 the present, Respondent HARTFORD UNDERWRITERS has been the holder of a Certificate of
26 Authority (Certificate Number 3162-5) issued by the Commissioner to act in the capacity of a
27 Property and Casualty Insurer. From to April 24, 1987 to the present, Respondent HARTFORD
28 MIDWEST has been the holder of a Certificate of Authority (Certificate Number 3089-0) issued

1 by the Commissioner to act in the capacity of a Property and Casualty Insurer. From to July 1,
2 1987 to the present, Respondent TWIN CITY has been the holder of a Certificate of Authority
3 (Certificate Number 3100-5) issued by the Commissioner to act in the capacity of a Property and
4 Casualty Insurer.

5 2. Under the authority granted pursuant to Part 2, Chapter 1, Article 4, Sections 730,
6 733, 736 and Article 6.5, Section 790.04 of the California Insurance Code and Title 10, Chapter
7 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, the Commissioner
8 made an examination of the Respondents' claims practices and procedures in California. The
9 examination covered Respondents' claims handling practices during the period July 1, 1998
10 through June 30, 1999 ("The 1999 examination"). The 1999 examination was made to discover,
11 in general, if these and Respondents' other operating procedures conform with the contractual
12 obligations in the insurance policy forms, to provisions of the California Insurance Code ("CIC"),
13 the California Code of Regulations ("CCR"), other insurance related statutes, and case law. The
14 1999 examination included:

- 15 a) A review of the guidelines, procedures, training plans and forms adopted
16 by the Respondents for use in California, including any documentation maintained by the
17 Respondents in support of positions or interpretations of fair claims settlement practices;
- 18 b) A review of the application of such guidelines, procedures and forms, by
19 means of an examination of claims files and related records; and
- 20 c) A review of consumer complaints received by the California Department of
21 Insurance in the most recent year prior to the 1999 Examination.

22 3. The 1999 Examination was conducted at Respondents' claims office in Phoenix,
23 Arizona. The examiners reviewed a total of two hundred fifty one (251) claim files. The review
24 identified one hundred thirty-six (136) claims handling violations, all under CIC Section
25 790.03(h) and the Fair Claims Settlement Practices found in CCR, Title 10, Chapter 5,
26 Subchapter 7.5, Sections 2695.3 through 2695.8 (adopted pursuant to CIC Section 790.034). The
27 pattern and frequency of the violations indicate a general business practice. The 1999
28 Examination also identified sixty-three (63) claims handling violations of the CIC, the California

1 Vehicle Code and the CCR.

2 4. Under the authority granted pursuant to Part 2, Chapter 1, Article 4, Sections 730,
3 733, 736 and Article 6.5, Section 790.04 of the California Insurance Code and Title 10, Chapter
4 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, the Commissioner
5 made a subsequent examination of the Respondents' claims practices and procedures in
6 California. The subsequent examination covered Respondents' claims handling practices during
7 the period July 1, 2002 through June 30, 2003 ("The 2003 Examination"). The 2003 Examination
8 was made to discover, in general, if these and Respondents' other operating procedures conform
9 with the contractual obligations in the insurance policy forms, to provisions of the CIC, the CCR,
10 other insurance related statutes, and case law. The 2003 Examination included:

- 11 a) A review of the guidelines, procedures, training plans and forms adopted by
12 the Respondents for use in California, including any documentation maintained by the
13 Respondents in support of positions or interpretations of fair claims settlement practices;
- 14 b) A review of the application of such guidelines, procedures and forms, by
15 means of an examination of claims files and related records; and
- 16 c) A review of consumer complaints received by the California Department of
17 Insurance in the most recent year prior to the 1999 Examination.

18 5. The 2003 Examination was conducted at Respondents' claims office in Phoenix,
19 Arizona and Rancho Cordova, California. The examiners reviewed a total of five hundred fifty
20 one (551) claim files. The review identified one hundred eighty-four (184) claims handling
21 violations, all under CIC Section 790.03(h) and the Fair Claims Settlement Practices found in
22 CCR, Title 10, Chapter 5, Subchapter 7.5, Sections 2695.3 through 2695.8 (adopted pursuant to
23 CIC Section 790.034). The 2003 Examination also identified thirty-five (35) claims handling
24 violations of the CIC, the California Vehicle Code and the CCR.

25 6. Several of the same claims handling violations were found in both the 1999 and
26 the 2003 examination. The pattern and frequency of the violations indicate a general business
27 practice.
28

1 **STATEMENT OF SPECIFIC CHARGES**

2 **HARTFORD FIRE INSURANCE COMPANY**

3 7. As a result of the 1999 Examination filed with the Department, the Commissioner,
4 in his official capacity, now alleges that Respondent HARTFORD FIRE has violated provisions
5 of the Unfair Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices
6 Regulations (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

7 a) In one instance, HARTFORD FIRE claim files failed to contain all
8 documents, notes and work papers pertaining to the claims in violation of CCR
9 §2695.3(a). (Claim no. 589AC11834).

10 b) In one instance, HARTFORD FIRE failed to provide written basis for the
11 denial of the claim in violation of CCR §2695.7(b)(1). (Claim no. 571AC96566).

12 c) In one instance, HARTFORD failed to provide insured with an at-fault
13 determination in violation of CCR § 2632.13(e)(2). (Claim no. 589AC11834).

14 8. As a result of the 2003 Examination filed with the Department, the Commissioner, in
15 his official capacity, now alleges that Respondent HARTFORD FIRE has violated provisions of
16 the Unfair Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations
17 (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

18 a) In one instance, HARTFORD FIRE claim files failed to contain all
19 documents, notes and work papers pertaining to the claims in violation of CCR
20 §2695.3(a). (Claim no. YHNAP24440).

21 b) In two instances HARTFORD FIRE failed to adopt and implement
22 reasonable standards for the prompt investigation and processing of claims arising under
23 its insurance policies in violation of CIC §790.03(h)(3). (Claim nos. YEZF15059,
24 97328749).

25 c) In three instances HARTFORD FIRE failed to effectuate prompt, fair and
26 equitable settlements of claims in which liability had become reasonably clear in
27 violation of CIC §790.03(h)(5). (Claim nos. YAFAP41019, 97855449 [two instances]).
28

1 d) In one instance HARTFORD FIRE failed to document the basis of
2 betterment, depreciation, or salvage in violation of CCR §2695.8(k). (Claim no.
3 YAFAP41019).

4 **HARTFORD ACCIDENT:**

5 9. As a result of the 1999 Examination, the Commissioner, in his official capacity,
6 now alleges that Respondent HARTFORD ACCIDENT has violated provisions of the Unfair
7 Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations (CCR, Title
8 10, Chapter 5, Section 2695.1 et seq.) as follows:

9 a) In six instances, HARTFORD ACCIDENT claim files failed to contain all
10 documents, notes and work papers pertaining to the claims in violation of CCR
11 §2695.3(a). (claim nos. 5574AC57378, 589MD57500, 832MD19209, 832MD00275,
12 574KAC67294, 574AC82312).

13 b) In three instances HARTFORD ACCIDENT failed to explain in writing for
14 the claimant the basis of the fully itemized cost of the comparable automobile in violation
15 of CCR §2695.8(b)(1) (claim nos. 574AC70361, 832AC12324, 616MD26124,) and in one
16 instance failed to include in the settlement all applicable taxes, license fees and other fees
17 incident to transfer of evidence of ownership of the comparable automobile in violation of
18 CCR §2695.8(b)(1). (Claim no. 616MD26124).

19 c) In one instance, HARTFORD ACCIDENT failed to document the
20 determination of value. Any deductions from value, including deduction for salvage, must
21 be discernible, measurable, itemized, and specified as well as be appropriate in dollar
22 amount in violation of CCR §2695.8(b)(1)(C). (Claim no. 616MD26124).

23 d) In one instance, HARTFORD ACCIDENT attempted to settle a claim by
24 making an unreasonably low settlement offer in violation of CCR §2695.7(g). (Claim no.
25 616MD26124).

26 e) In one instance, HARTFORD ACCIDENT failed to disclose all benefits,
27 coverage, time limits or other provisions of the insurance policy in violation of CCR
28 §2695.4(a). (Claim no. 616AC27530).

f) In one instance, HARTFORD ACCIDENT failed to provide the insured with an at-fault determination in violation of CCR § 2632.13(e)(2). (Claim no. 574AC70361).

HARTFORD CASUALTY:

10. As a result of the 1999 Examination, the Commissioner, in his official capacity, now alleges that Respondent HARTFORD CASUALTY has violated provisions of the Unfair Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

a) In nine instances, HARTFORD CASUALTY claim files failed to contain all documents, notes and work papers pertaining to the claims in violation of CCR §2695.3(a). (Claim nos. 616AC27266, 832AC16855, 574KAC91530, 616AC32316, 666MD00324, 574MD71863, 616KAC11567, 574KAP98612, 574AP77350,).

b) In eight instances, HARTFORD CASUALTY failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile in violation of CCR §2695.8(b)(1) (claim nos. 616AC17290, 574C95135, 616AC27434, 574AC98980, 574MD79204, 574MD57515, 832MD16268, 574MD99086) and of those eight, four failed to include in the settlement all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile in violation of CCR §2695.8(b)(1). (Claim nos. 616AC17290, 574AC98980, 832MD16268, 574MD99086).

c) In two instances, HARTFORD CASUALTY failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized, and specified as well as be appropriate in dollar amount in violation of CCR §2695.8(b)(1)(C). (Claim nos. 574AC87452, 574MD79204).

d) In two instances, HARTFORD CASUALTY attempted to settle a claim by making an unreasonably low settlement offer in violation of CCR §2695.7(g). (Claim nos. 574AC87452, 574MD79204).

e) In three instances, HARTFORD CASUALTY failed to provide the written

1 basis for the denial of the claim in violation of CCR §2695.7(b)(1). (Claim nos.
2 616KAC29202, 616B19122, 722DP12834).

3 f) In one instance, HARTFORD CASUALTY failed to tender payment
4 within thirty (30) calendar days of acceptance of the claim in violation of CCR
5 §2695.7(h). (Claim no. 616KAC27870).

6 g) In ten instances, HARTFORD CASUALTY failed to provide insured with
7 an at-fault determination in violation of CCR § 2632.13(e)(2). (Claim nos. 616AC27266,
8 832AC16855, 616KAC34335, 574KAC60172, 616KAC11567, 574KAP98612,
9 616KAC14933, 616KAC27870, 574AP77350, 574AL90968).

10 11. As a result of the 2003 Examination, the Commissioner, in his official capacity,
11 now alleges that Respondent HARTFORD CASUALTY has violated provisions of the Unfair
12 Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations (CCR, Title
13 10, Chapter 5, Section 2695.1 et seq.) as follows:

14 a) In eleven instances, HARTFORD CASUALTY claim files failed to contain
15 all documents, notes and work papers pertaining to the claims in violation of CCR
16 §2695.3(a). (Claim nos. YGHAP80298, YGHAP82537, YGHAL05476, YGHAL44280,
17 YGHAL32825, YGHUP55641, YGHUP65687, YGHUP73828, YHNUP00227,
18 YBWAU72369, YEZDP15597).

19 b) In fifteen instances HARTFORD CASUALTY failed to adopt and
20 implement reasonable standards for the prompt investigation and processing of claims
21 arising under its insurance policies in violation of CIC §790.03(h)(3). (Claim nos.
22 YHNAP28556, YHNAP12616, YGHAP82537, YGHAL29245, YGHAL35028,
23 YGHAL34219, YGHUP37669, YGHUP73828, YGHUP98004, YHNUP00227,
24 YHNUP13310, 85503411 [3 instances], 85503091).

25 c) In two instances, HARTFORD CASUALTY failed to include in the
26 settlement all applicable taxes, license fees and other fees incident to transfer of evidence
27 of ownership of the comparable automobile in violation of CCR §2695.8(b)(1). (Claim
28 nos. YGHUP26738, YGHUP65687).

1 d) In three instances, HARTFORD CASUALTY failed to effectuate prompt,
2 fair and equitable settlements of claims in which liability had become reasonably clear in
3 violation of CIC §790.03(h)(5). (Claim nos. YHNAP12616, YHNAP28556,
4 YGHUP37669).

5 e) In nine instances, HARTFORD CASUALTY failed to provide written
6 notice of the need for additional time every 30 calendar days in violation of CCR
7 §2695.7(c)(1). (Claim nos. YGHAP99910, YBWAP31775, YGHAL29245,
8 YGHUP37669, YGHAL34219, YGHUP55641, YGHUP73828, YGHAU78781,
9 YEZB08859).

10 f) In three instances, HARTFORD CASUALTY failed to provide written
11 basis for the denial of the claim in violation of CCR §2695.7(b)(1). (Claim nos.
12 YGHAL35028, YHNUP03357, YEZDP37523) .

13 g) In two instances, HARTFORD CASUALTY failed to provide written
14 notice of any statute of limitation or other time period requirement not less than 60 days
15 prior to the expiration date in violation of CCR §2695.7(f). (Claim nos. YGHAP75852,
16 YCDAL82004).

17 h) In one instance, HARTFORD CASUALTY failed to record in the file the
18 date the Company received, date the Company processed, and date the Company
19 transmitted or mailed every relevant document in the file in violation of CCR
20 §2695.3(b)(2). (Claim no. YGHUP37669).

21 i) In one instance, HARTFORD CASUALTY failed to tender payment
22 within thirty (30) calendar days of acceptance of the claim in violation of CCR
23 §2695.7(h). (Claim no. YGHAP82537).

24 j) In one instance, HARTFORD CASUALTY failed to respond to
25 communications within 15 calendar days in violation of CCR §2695.5(b). (Claim no.
26 YGHAL34219).

27 k) In two instances, HARTFORD CASUALTY failed, upon receiving proof
28 of claim, to accept or deny the claim within 40 calendar days in violation of CCR

§2695.7(b). (Claim nos. YGHAP75852, YGHAP82537).

l) In two instances, HARTFORD CASUALTY failed to document the determination of value in violation of CCR §2695.8(b)(1)(C). Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized and specified as well as be appropriate in dollar amount. (Claim nos. YGHUP26738, YGHUP65687).

m) In two instances, HARTFORD CASUALTY failed to begin investigation of the claim within 15 calendar days in violation of CCR §2695.5(e)(3). (Claim nos. YGHUP55641, YGHUP73828).

n) In two instances, HARTFORD CASUALTY misled the claimant as to the applicable statute of limitations in violation of CIC §790.3(h)(15). (Claim nos. YHNUP00227, YHNUP64795).

o) In one instance, HARTFORD CASUALTY failed to maintain hard copy claim files or maintain claim files that are accessible, legible and capable of duplication to hard copy for five years in violation of CCR §2695.3(b)(3). (Claim no. YBWAP31775).

HARTFORD UNDERWRITERS:

12. As a result of the 1999 Examination, the Commissioner, in his official capacity, now alleges that Respondent HARTFORD UNDERWRITERS has violated provisions of the Unfair Practices Act (CIC § 790.03(h), and the Fair Claims Settlement Practices Regulations (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

a) In twenty instances, HARTFORD UNDERWRITERS claim files failed to contain all documents, notes and work papers pertaining to the claims in violation of CCR §2695.3(a). (Claim nos. 571KAC62888, 832AC05752, 666MD02775, 616MD01782, 832MD04478, 832MD17869, 574MD64446, 574MD75500, 74MD75999, 574AC82391, 574AC60843, 574AC64395, 832AM19505, 574AC80984, 832AP02519, 616AP30488, 616KAC36542, 616KAC34579, 616DP2718, 722BO3848).

b) In twelve instances, HARTFORD UNDERWRITERS failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile

(claim numbers 574KAC82681, 574KAC95503, 574AC82848, 666KAC01706, 574AC66413, 574KAC68672, 574AC77572, 574MD75106, 571MD90918, 571MD67176, 616MD004251, 571AC98986,), and in four instances failed to include in the settlement all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile in violation of CCR §2695.8(b)(1). (Claim nos. 574KAC82681, 574AC82848, 571KAC49322, 571MD90918).

c) In five instances, HARTFORD UNDERWRITERS failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized, and specified as well as be appropriate in dollar amount in violation of CCR §2695.8(b)(1)(C). (Claim nos. 574KAC95503, 574AC82848, 574AC84709, 574AC66413, 574MD75106).

d) In five instances, HARTFORD UNDERWRITERS attempted to settle a claim by making an unreasonably low settlement offer in violation of CCR §2695.7(g)]. (Claim nos. 574KAC95503, 574AC82848, 574AC84709, 574AC66413, 574MD75106).

e) In four instances, HARTFORD UNDERWRITERS failed to provide the written basis for the denial of the claim in violation of CCR §2695.7(b)(1). (Claim nos. 574AC84709, 616KAC34579, 574AP69718, 722BO3848).

f) In two instances, HARTFORD UNDERWRITERS failed to tender payment within thirty (30) calendar days of acceptance of the claim in violation of CCR §2695.7(h). (Claim nos. 874AM56135, 574AP61503).

g) In one instance, HARTFORD UNDERWRITERS failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing in violation of CCR §2695.8(k). (Claim no. 74MD75999).

h) In eight instances, HARTFORD UNDERWRITERS failed to provide insured with an at-fault determination in violation of CCR § 2632.13(e)(2). (Claim nos. 574AC82848, 574AC84709, 574AC77572, 571AC86477, 616AC00151, 832KAC08874, 616KAC36542, 616KAC34579).

1 13. As a result of the 2003 Examination, the Commissioner, in his official capacity,
2 now alleges that Respondent HARTFORD UNDERWRITERS has violated provisions of the
3 Unfair Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations
4 (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

5 a) In twenty-seven instances, HARTFORD UNDERWRITERS claim files
6 failed to contain all documents, notes and work papers pertaining to the claims in violation
7 of CCR §2695.3(a). (Claim nos. YHNAC04643, YCD77178, YGHAC86192,
8 YHNMD09046, YBWAL42101, YGHAP77378, YHNAP26256, YHNAP31830,
9 YHNAP09672, YGHMD22988, YGHMD66067, YCDMD98222, YHNMD10867,
10 YHNMD42724, YHNMD03889, YHNMD21096, YHNAP17375, YHNUP14964,
11 YHNUP47937, YHNUP42178, YHNUP49678, YHNUP23933, YGHAU83753,
12 YEZDP16064, YEZF26745, YEZDP23675, YEZDP31814).

13 b) In seventeen instances HARTFORD UNDERWRITERS failed to adopt
14 and implement reasonable standards for the prompt investigation and processing of claims
15 arising under its insurance policies in violation of CIC §790.03(h)(3). (Claim nos.
16 YHNMD03889, YGHAL65127, YHNMD21406, YHNMD44496, YGHAL41830,
17 YGHAL71122, YHNUP41781, YHNUP42178, YGHUP67869, HNAU08339,
18 YGHAU97416, YBWAU72860, YGHAU57335, YGHAU93425, YEZDP37115,
19 YEZDP38727, YEZDP08859).

20 c) In twenty instances, HARTFORD UNDERWRITERS failed to include in
21 the settlement all applicable taxes, license fees and other fees incident to transfer of
22 evidence of ownership of the comparable automobile in violation of CCR §2695.8(b)(1).
23 (Claim nos. YGHAC95807, YHNAC04643, YHNAC11832, YGH30614, YGHAC86190,
24 YGHMD85610, YHNMD21096, YCDMD41625, YCDMD98222, YGHMD22988,
25 YHNMD33220, YHNMD10867, YHNUP25600, YHNUP42178, YHNUP68770,
26 YGHUP92614, YHNUP68770, YGHUP55773, YGHUP71179, YHNUP23933).

27 d) In six instances, HARTFORD UNDERWRITERS failed to explain in
28 writing for the claimant the basis of the fully itemized cost of the comparable automobile

1 in violation of CCR §2695.8(b)(1). (Claim nos. YHNMD21096, YCDMD98222,
2 YGHMD22988, YGHMD85610, YHNUP42178, YGHUP71179).

3 e) In five instances, HARTFORD UNDERWRITERS failed to effectuate
4 prompt, fair and equitable settlements of claims in which liability had become reasonably
5 clear in violation of CIC §790.03(h)(5). (Claim no. YGHMD66067, YGHMD97900,
6 YHNAP26256, YEZDP16064, YEZF26745).

7 f) In three instances, HARTFORD UNDERWRITERS failed to provide
8 written notice of the need for additional time every 30 calendar days in violation of CCR
9 §2695.7(c)(1). (Claim nos. YGHAL87149, YGHMD85610, YHNUP41781).

10 g) In six instances, HARTFORD UNDERWRITERS failed to provide written
11 basis for the denial of the claim in violation of CCR §2695.7(b)(1). (Claim nos.
12 YHNUP49678, YGHMD97900, YEZDP16064, YEZDP28869, YEZDP35987,
13 YEZDP28842).

14 h) In three instances, HARTFORD UNDERWRITERS failed to provide
15 written notice of any statute of limitation or other time period requirement not less than 60
16 days prior to the expiration date in violation of CCR §2695.7(f). (Claim nos.
17 YHNAP41451, YGHAL69422, YHNAU19452).

18 i) In two instances, HARTFORD UNDERWRITERS failed to record in the
19 file the date the Company received, date the Company processed, and date the Company
20 transmitted or mailed every relevant document in the file in violation of CCR
21 §2695.3(b)(2). (Claim nos. YGHAU18084, YEZB26396).

22 j) In four instances, HARTFORD UNDERWRITERS failed to tender
23 payment within thirty (30) calendar days of acceptance of the claim in violation of CCR
24 §2695.7(h). (Claim nos. YHNAP61865, YGHMD81496, YHNMD03889,
25 YHNMD10867).

26 k) In two instances, HARTFORD UNDERWRITERS failed to respond to
27 communications within 15 calendar days in violation of CCR §2695.5(b). (Claim nos.
28 YHNAP19883, YGHAL71122).

1 l) In one instance, HARTFORD UNDERWRITERS failed, upon receiving
2 proof of claim, to accept or deny the claim within 40 calendar days in violation of CCR
3 §2695.7(b). (Claim no. YEZDP31814).

4 m) In two instances, HARTFORD UNDERWRITERS attempted to settle a
5 claim by making a settlement offer that was unreasonably low in violation of CCR
6 §2695.7(g). (Claim nos. YHNMD09046, YGHAL66693).

7 n) In one instance, HARTFORD UNDERWRITERS failed to include a
8 statement in its claim denial that, if the claimant believes the claim has been wrongfully
9 denied or rejected, he or she may have the matter reviewed by the California Department
10 of Insurance in violation of CCR §2695.7(b)(3). (Claim no. YGH87691).

11 o) In one instance, HARTFORD UNDERWRITERS failed to provide written
12 notification to a first party claimant as to whether the insurer intends to pursue
13 subrogation in violation of CCR §2695.8(i). (Claim no. YHNAC32938).

14 p) In one instance, HARTFORD UNDERWRITERS failed to provide the
15 claimant with necessary instructions and reasonable assistance to perfect the claim in
16 violation of CCR §2695.5(e)(2). (Claim no. YHNAP11728).

17 **HARTFORD INSURANCE COMPANY OF THE MIDWEST:**

18 14. As a result of the 1999 Examination, the Commissioner, in his official capacity,
19 now alleges that Respondent HARTFORD MIDWEST has violated provisions of the Unfair
20 Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations (CCR, Title
21 10, Chapter 5, Section 2695.1 et seq.) as follows:

22 a) In one instance, HARTFORD MIDWEST failed to include a statement in
23 the claim denial, that if the claimant believes the claim has been wrongfully denied or
24 rejected, he or she may have the matter reviewed by the California Department of
25 Insurance in violation of CCR §2695.7(b)(3). (Claim no. 571DP89376).

26 15. As a result of the 2003 Examination, the Commissioner, in his official capacity,
27 now alleges that Respondent HARTFORD MIDWEST has violated provisions of the Unfair
28 Practices Act (CIC § 790.03(h) and the Fair Claims Settlement Practices Regulations (CCR, Title

10, Chapter 5, Section 2695.1 et seq.) as follows:

a) In five instances HARTFORD MIDWEST failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under its insurance policies in violation of CIC §790.03(h)(3). (Claim nos. 85502968 [two instances], 855022280 [three instances]).

b) In one instance, HARTFORD MIDWEST failed to effectuate prompt, fair and equitable settlement of a claim in which liability had become reasonably clear in violation of CIC §790.03(h)(5). (Claim no. YGHAP99441).

c) In one instance, HARTFORD MIDWEST failed to provide written notice of the need for additional time every 30 calendar days in violation of CCR §2695.7(c)(1). (Claim no. YEZB29079).

TWIN CITY FIRE INSURANCE COMPANY:

16. As a result of the 1999 Examination, the Commissioner, in his official capacity, now alleges that Respondent TWIN CITY has violated provisions of the Unfair Practices Act (CIC § 790.03(h)(5)) and the Fair Claims Settlement Practices Regulations (CCR, Title 10, Chapter 5, Section 2695.1 et seq.) as follows:

a) In ten instances, TWIN CITY claim files failed to contain all documents, notes and work papers pertaining to the claims in violation of CCR §2695.3(a). (Claim nos. 832AC02528, 616AC23800, 616AC00459, 574AC80513, 574AC74614, 832MD12455, 616AC33126, 832AP24101, 616KAC31632, 571B95700).

b) In five instances, TWIN CITY failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile (claim nos. 574KAC87540, 616KAM21754, 832AC04729, 574MD82026, 616MD17198) and in five instances failed to include in the settlement all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile in violation of CCR §2695.8(b)(1). (Claim nos. 574AM58952, 832KAC11598, 574KAC87540, 832AC04729, 616MD17198).

c) In two instances, TWIN CITY failed to document the determination of

1 value. Any deductions from value, including deduction for salvage, must be discernible,
2 measurable, itemized, and specified as well as be appropriate in dollar amount in violation
3 of CCR §2695.8(b)(1)(C). (Claim nos. 574AM58952, 832KAC11598).

4 d) In two instances, TWIN CITY attempted to settle a claim by making an
5 unreasonably low settlement offer in violation of CCR §2695.7(g). (Claim nos.
6 574AM58952, 832KAC11598).

7 e) In one instance, TWIN CITY failed to tender payment within thirty (30)
8 calendar days of acceptance of the claim in violation of CCR §2695.7(h). (Claim no.
9 574KAC46000).

10 f) In one instance TWIN CITY failed to attempt in good faith to effectuate
11 equitable settlements of claims in which liability has become reasonably clear in violation
12 of CIC § 790.03(h)(5). (Claim no. 574KAM58952).

13 g) In six instances, TWIN CITY failed to provide insured with an at-fault
14 determination in violation of CCR § 2632.13(e)(2). (Claim nos. 616KAM21754,
15 832AC04729, 616AC33126, 832AP24101, 616KAC31632, 574KAP95705).

16 17. As a result of the 2003 Examination, the Commissioner, in his official capacity,
17 now alleges that Respondent TWIN CITY has violated provisions of the Unfair Practices Act
18 (CIC § 790.03(h)(5)) and the Fair Claims Settlement Practices Regulations (CCR, Title 10,
19 Chapter 5, Section 2695.1 et seq.) as follows:

20 a) In one instance, TWIN CITY claim files failed to contain all documents,
21 notes and work papers pertaining to the claims in violation of CCR §2695.3(a). (Claim
22 no. YGHMD71574).

23 b) In eight instances TWIN CITY failed to adopt and implement reasonable
24 standards for the prompt investigation and processing of claims arising under its insurance
25 policies in violation of CIC §790.03(h)(3). (Claim nos. YGHMD90215, 97849341 [two
26 instances], 978822594 [three instances], 85502968, 855022280).

27 c) In one instance, TWIN CITY failed to include in the settlement all
28 applicable taxes, license fees and other fees incident to transfer of evidence of ownership

1 of the comparable automobile in violation of CCR §2695.8(b)(1). (Claim no.
2 YHNMD24618).

3 d) In four instances, TWIN CITY failed to effectuate prompt, fair and
4 equitable settlements of claims in which liability had become reasonably clear in violation
5 of CIC §790.03(h)(5). (Claim nos. 97849341 [2 instances], 978822594 [2 instances]).

6 e) In one instance, TWIN CITY failed to record in the file the date the
7 Company received, date the Company processed, and date the Company transmitted or
8 mailed every relevant document in the file in violation of CCR §2695.3(b)(2). (Claim no.
9 YGHAP98926).

10
11 **STATEMENT OF MONETARY PENALTY ORDER, AND STATEMENT OF**
12 **POTENTIAL LIABILITY, PURSUANT TO CIC § 790 et. seq**

13 18. The facts alleged above in paragraphs 7 through 17 show that Respondents did not
14 attempt in good faith to effectuate prompt, fair and equitable settlement of claims in which
15 liability had become reasonable clear, in violation of CIC Section 790.03(h)(5).

16 19. The facts alleged above in Paragraphs 7 through 17 constitute grounds, under CIC
17 Section 790.05, for the Insurance Commissioner to order Respondents and each of them to cease
18 and desist from engaging in such unfair acts or practices and to pay a civil penalty not to exceed
19 five thousand dollars (\$5,000) for each act, or if the act or practice was willful, a civil penalty not
20 to exceed ten thousand dollars (\$10,000) for each act as set forth under CIC Section 790.035.

21 20. The facts alleged above in Paragraphs 7 through 17 show that Respondents have
22 failed to carry out their contracts in good faith, constituting grounds for the Insurance
23 Commissioner to suspend the Certificate of Authority of Respondents for a period not to exceed
24 one year pursuant to CIC Section 704(b), or to impose a fine in an amount not exceeding
25 \$55,000 in lieu of suspension pursuant to the authority of CIC Section 704.7.

26 **REQUEST FOR ORDER AND MONETARY PENALTY**

27 21. WHEREFORE, Petitioner prays for judgment against Respondents, and each of
28 them, as follows:

a) An Order to Cease and Desist from engaging in such unfair acts or

1 practices in violation of CIC Section 790.03(h) and the regulations promulgated pursuant to CIC
2 Section 790.10 as set forth above;

3 b) Pursuant to CIC Section 790.035, for willful acts in violation of CIC
4 Section 790.03 and CCR, Title 10, Chapter 5, Subchapter 7.5, Sections 2695.1 through 2695.17
5 (adopted pursuant to CIC Section 790.034), as set forth above, a penalty in an amount to be fixed
6 by the Commissioner not to exceed ten thousand dollars (\$10,000.00) for each act; and for each
7 unfair or deceptive act or practice not found to be willful, a penalty in an amount to be fixed by
8 the Commissioner not to exceed five thousand dollars (\$5,000.00) for each act;

9 c) Full restitution and or reimbursement for acts or omissions in violation of
10 CCR Section 2695.8(b)(1);

11 d) costs.

12 Dated: 1/18/06.

JOHN GARAMENDI
Insurance Commissioner

13
14
15 By /s/
Lara Sweat
Staff Counsel
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